

Message Text

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ORIGIN EB-07

INFO OCT-01 AF-06 ISO-00 TRSE-00 SP-02 AID-05 NSC-05

CIEP-01 SS-15 STR-01 OMB-01 CEA-01 CIAE-00 COME-00

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FM SECSTATE WASHDC

TO AMEMBASSY LAGOS PRIORITY

C O N F I D E N T I A L STATE 036985

E.O. 11652: GDS

TAGS: EFIN, EAID, PFOR, ENRG, NI

SUBJECT: U.S. POLICY TOWARD DEVELOPMENT BANK LENDING TO
OIL EXPORTERS

REF: A) LAGOS 921, B) STATE 013408, C) STATE 21920

1. USED PRESENTED STATEMENT AS DETAILED IN REFTEL B IN
BANK BOARD DISCUSSION OF FINANCIAL POLICIES PAPER JANUARY
21. REPORTING ON THE MEETING, USED SAID EVERYONE ACCEPTED
BANK MANAGEMENT'S RECOMMENDATION TO ATTEMPT TO FIND ARRANGE-
MENTS WITH HIGH INCOME OIL EXPORTING COUNTRIES OTHER THAN
OFFSETS. THE U.S. FAVORED LOAN BUY-BACK ARRANGEMENTS.
VIRTUALLY ALL OTHER SPEAKERS STRESSED THE NEED TO MAINTAIN
GOOD RELATIONS BETWEEN THE BANK AND OIL EXPORTERS THROUGH
FLEXIBLE DEALINGS. INDIVIDUAL COUNTRY SITUATIONS WERE
NOT DISCUSSED. SYRIA AND ALGERIA BOTH STRONGLY OPPOSED ANY
LIMITATION ON OIL EXPORTERS' BORROWING OR INSISTENCE ON
PREPAYMENT. (NIGERIAN ADVISOR WAS AT THE MEETING BUT DID
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NOT SPEAK BECAUSE ETHIOPIA REPRESENTS FMG ON THE BOARD.)

2. THE DISCUSSION HELD ON JANUARY 21 WAS A REVIEW OF BANK'S FINANCIAL POLICIES INCLUDING LENDING TO OIL PRODUCERS. SEE REFTEL C FOR SUMMARY OF OUTCOME OF MEETING. THE IBRD HAS NO SPECIFIC PLANS FOR ANOTHER SUCH POLICY DISCUSSION IN THE NEAR FUTURE. THE IBRD BOARD'S TENTATIVE SCHEDULE CALLS FOR CONSIDERATION OF A DOLLAR 115 MILLION LOAN TO

INDONESIA FOR FERTILIZER PLANT ON FEBRUARY 25 AND 3 LOANS TOTALLING DOLLAR 65.5 MILLION TO NIGERIA FOR PALM OIL PROJECTS ON MARCH 25.

3. "BUY-BACK" OR REPURCHASE OF LOANS REFERS TO MECHANISM WHEREBY THE CENTRAL BANK OR OTHER INSTITUTIONS OF A CAPITAL SURPLUS COUNTRY BUYS BACK THE BANK LOAN EXTENDED TO SUCH COUNTRY. SUCH PURCHASES CAN BE MADE EITHER DIRECTLY FROM IBRD PORTFOLIO OR THROUGH PARTICIPATION AGREEMENTS ON NEW LOANS IN WHICH PARTICIPANTS MAKE A COMMITMENT TO PURCHASE THE LOAN. BOTH METHODS HAVE BEEN USED BY BANK IN THE PAST TO ELIMINATE OBLIGATIONS OF CAPITAL SURPLUS OR HIGHER INCOME COUNTRIES FROM BANK PORTFOLIO. INGERSOLL

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